



April 13, 2009

Comment Letter
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Sir/Madam

Discussion Paper, Preliminary Views on Financial Statement Presentation

The Special Task Force of the Financial Accounting Standards Committee (FASC) of Accounting Research and Development Foundation in Taiwan appreciates the opportunity to respond to the above discussion paper.

The attachments are our comments to this discussion paper. The comments are those of the Special Task Force and do not necessarily represent official opinions of the FASC.

If you have any question about our comments, please contact us via conrad@mail.ntpu.edu.tw or mushenchen@ardf.org.tw.

Sincerely Yours,

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Comments from ARDF Taiwan re FS Presentation, Page: 1

Attachment- Discussion Paper, Preliminary Views on Financial Statement Presentation

General Observations to this Discussion Paper

While this Discussion Paper proposes a management approach to the format of financial statement presentation and allow more rooms for management discretion in deciding which line item should be included in the body of financial statements, doing so might make the financial statements less comparable either between industries or companies in the same industry.

Rationale:

With the introduction of XBRL, it would be easier for the analysts (and in some cases, the investors) to extract information based on the proposed format of financial statement presentation. However, the investors may be more willing to see a more traditional/concise format of financial statements for their “snap shot” of a company’s performance in a given period of time and to see consistent line items being disclosed in other companies’ financial statements so they can compare. By including so many line items on the body of financial statements and allow more rooms for discretion in the content as proposed in the discussion paper and to carve out same assets into different categories might require the accounting profession to educate the investors further, although it has already been an impossible mission.

Public companies in a number of countries use to print annual reports in A4 or letter size paper; some others use even smaller ones. If we are to print annual reports under the proposed format on letter size papers for all investors, some of the characters on the body of the financial statements may not be legible due to their sizes; this is best exemplified by Appendix A of this Discussion Paper.

Proposal:

In order to drive the management approach in a longer run, and to provide the analysts with handy information, our proposal would be to stick to the current format of financial statement presentation and to include the proposed format as per the discussion paper in the footnotes (with a more detailed line items as appropriate) of the financial statements in order to come up with a win-win approach for both sides. The Board may wish to conduct an empirical study, in addition to the field test and FASRI study already underway, a few years later to see whether it is time to replace current format with the proposed one.

Comments from ARDF Taiwan re FS Presentation, Page: 2

Attachment- Discussion Paper, Preliminary Views on Financial Statement Presentation

Despite of the position from our general observations as stated in previous page, we still wish to submit our responses to selected questions as follows for the Board's considerations:

Question 7

Paragraphs 2.27, 2.76, and 2.77 discuss classification of assets and liabilities by entities that have **more than one reportable segment** for segment reporting purposes. Should those entities classify assets and liabilities (and related changes) at the reportable segment level as proposed instead of at the entity level? Please explain.

Response to Question 7:

We are of the opinion that an entity classifies assets and liabilities at the entity level might be preferable than to classify them at the reportable segment level.

Rationale:

The number of line items under the proposal of this discussion paper will far exceed those of the current format, by classifying assets and liabilities further into reportable segment level will increase more line items and hence make the financial statements even more difficult to read if any of the statement will need to fit on a single piece of paper. On the other hand, by classifying the same asset category into different reportable segments will make it difficult for some investors to obtain a quick look of such asset category.

Proposal:

Instead of classifying assets and liabilities at the reportable segment level right on the financial statements, providing such detailed classification in the footnotes might help the analyst and complicated investors for researching purposes.



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Question 19

Paragraph 3.75 proposes that an entity should use a **direct method of presenting cash flows** in the statement of cash flows.

- a. Would a direct method of presenting operating cash flows provide information that is decision useful?
- b. Is a direct method more consistent with the proposed cohesiveness and disaggregation objectives (see paragraphs 3.75–3.80) than an indirect method? Why or why not?
- c. Would the information currently provided using an indirect method to present operating cash flows be provided in the proposed reconciliation schedule (see paragraphs 4.19 and 4.45)? Why or why not?

Responses to Question 19:

- a. We concur that a direct method of presenting operating cash flows provides information that is more decision useful.
- b. We concur that a direct method is more consistent with the proposed cohesiveness and disaggregation objectives than an indirect method in that the direct method “helps users relate information about operating assets and liabilities and operating income and expenses to operating cash receipts and payments.”
- c. Since the obstacle of the indirect method is that it could not present operating cash receipts or payments, therefore it may not be meaningful (or could incur more time and cost) to prepare the reconciliation schedule under the indirect method.